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BY FEDERAL EXPRESS

July 10, 1996

William F. Caton
Secretary
Federal Communications Commission
1919 M. Street, N.W.
Washington, D.C. 20554

Re: Ex Parte Communication: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996
CC Docket No. 96-98

Dear Mr. Caton:

Enclosed please find a copy of an ex parte communication submitted at the request of common carrier bureau staff.

Should there be any questions, please call the undersigned at 718-355-2671. Thank you.

Sincerely,

J. Manning Lee
Vice President, Regulatory Affairs

Enclosures

cc: Mr. Gude

TCG

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Teleport Communications Group
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By Facsimile

July 10, 1996

Mr. Kalpak Gude
Common Carrier Bureau
Federal Communications Commission
1919 M. Street, N.W.
Washington, D.C. 20554

Re: Ex Parte Communication Implementation of the Local Competition Provisions in the Telecommunications Act of 1996
CC Docket No. 96-98

Dear Mr. Gude:

This is in response to your request for information regarding the difference between virtual collocation and mid-span meet interconnection.

I am enclosing two documents. The first is an excerpt from the Illinois Commerce Commission Customer First decision of April 1995, in which they discuss the need for new competitive local exchange carriers to have the ability to interconnect efficiently and on a non-discriminatory basis. The second is testimony by Mr. Steven Andreassi of TCG, which was admitted into evidence, without opposition or cross examination, on June 27, 1996. The testimony is in response to the Ameritech implementation tariff of the Customer First order. The ICC's Administrative Law judge is still reviewing this matter, and in fact draft proposed orders are due to the ALJ by parties on July 16, 1996. If you have any questions about this material, please feel free to call me at 718-355-2671, Mr. Andreassi at 718-355-2977, or TCG's Central Region counsel in Chicago, Mr. Doug Trabaris, at 312-705-9829, who litigated this case before the ICC.

A copy of this letter and its attachments is being sent to the Secretary's office of the Commission by Federal Express.

Sincerely,

J. Manning Lee
Vice President, Regulatory Affairs

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Bell Telephone Company	:	
Proposed introduction of a trial of Ameritech's Customers First Plan in Illinois	:	94-0096
Illinois Bell Telephone Company	:	
Addendum to proposed introduction of a trial of Ameritech's Customers First Plan in Illinois	:	94-0117
AT&T Communications of Illinois, Inc.	:	
Petition for an investigation and Order establishing conditions necessary to permit effective exchange competition to the extent feasible in areas served by Illinois Bell Telephone Company	:	94-0146
Illinois Bell Telephone Company	:	
Proposed introduction of a trial of Ameritech's Customers First Plan in Illinois (refiled)	:	94-0301 Consol.

ORDER

April 7, 1995

V. INTERCONNECTION

Positions of Parties

Illinois Bell

Illinois Bell presented its position on physica interconnection arrangements in the context of its Customers Firs plan and its comments on the Staff's proposed line-side a reciprocal interconnection rules. In its plan, Illinois Be proposed Ameritech End Office Integration Service ("AEOIS"), a n service included in Illinois Bell's access tariff. (Ill. C.C. N 15.). AEOIS is "a reciprocal joint traffic arrangement conce where both parties involved are providing their end-user custome access to the other's network in a like fashion." IBT Ex. 1.0 17 AEOIS proposes to integrate the networks of competing loc exchange carriers into the Ameritech network by connecting bo companies' "end offices."

AEOIS consists primarily of two distinct arrangements. Firs it includes details regarding the physical connections a arrangements which will be necessary in order to facilita technically the transfer of traffic from one end office to anothe Second, AEOIS includes Ameritech's proposal regarding the way which carriers would be reimbursed for the traffic which transferred over the physical AEOIS connection.

AEOIS provides basic network-to-network capabilities for t exchange of most types of traffic between LECs. AEOIS provides t ways to transport traffic between Illinois Bell and new L switches. First, the new LEC may have Illinois Bell provide t transport from the end office or tandem trunk termination on i switch to the new LEC's premises. Alternatively, the new LEC m provide the transport facilities itself or use a third party provide the transport facilities and have Illinois Bell conne those facilities to the end office or tandem trunk termination its switch. Illinois Bell states that the transport alternativ for AEOIS are identical to the options available today for t transport of switched access calls between its switches and t interexchange networks of IXCs. Therefore, no new rates a established in the AEOIS tariff.

In response to a request by MFS, Illinois Bell has agreed amend the tariff to clarify that AEOIS may be used for connectio to new LEC tandem offices.

Illinois Bell opposes other parties who requested "meet poin arrangements. Its witness Panfil explained that in a "meet poin arrangement one LEC will compensate the other LEC for the price the jointly-provided transport facility which it does not own. I

Ex. 7.22. This compensation, which is made on a per minute basis, is not paid under the AEOIS arrangement. Under AEOIS, the new LEC pays various tariffed charges for facilities which are dedicated to its use. Illinois Bell argues that while there are different types of charges for transport under a "meet point" arrangement and under AEOIS, the charges are essentially the same because they are set to recover the costs of the same underlying transmission facilities. IBT Reply Brief at 24.

Illinois Bell maintains that there will be no added expense for interconnectors under AEOIS because they will have to establish virtual collocation arrangements anyway for special access and switched access transport interconnection under Rule 790 and for loop unbundling interconnection under the Staff's proposed line side rules. Id. at 25.

Staff

Staff argues that interconnection service between Illinois Bell and new LECs should be identical to existing arrangements between it and other LECs. Otherwise, the arrangements would be discriminatory in violation of Staff principle 1. Staff Ex. 2.00 at 39-40.

MCI

MCI disagrees with Illinois Bell's "end office integration service" proposal to require new LECs either to obtain switched access from Illinois Bell for the transport of traffic between Illinois Bell and a new LEC, or connect with it under the terms of its collocation tariffs, on the ground that these forms of interconnection impose unnecessary costs on new LECs. MCI Ex. 2.0. at 20. According to MCI, where the purpose is simply for two LECs to exchange traffic, collocation is unnecessary; rather, all that is needed is a transmission link between the two carriers, which may be terminated in each carrier's switching office in the same way as any other interoffice transmission facility. MCI points out that such "meet-points" are the way contiguous LEC co-carriers exchange local traffic today. *Id.* at 20-21. Further, MCI observes that the costs incurred by each carrier in terminating the transmission facility and providing trunk-side switching ports are compensated for by an "in-kind" facility termination function performed by the other carrier. *Id.* at 22.

MCI recommends that ownership and maintenance of the transmission link should be negotiated between the carriers, subject to Commission intervention should the parties be unable to reach agreement. One carrier could own and maintain the interconnection facility, or ownership and maintenance could be shared among the carriers. Each carrier should provide and

maintain the fiber optic or electric termination equipment in its switching office. MCI acknowledges that new entrants would bear the responsibility for ensuring that equipment used in its switching office is compatible with the transmission equipment used by the incumbent LEC, and cooperative testing procedures would need to be established. *Id.* at 21.

AT&T

AT&T argues that for competition to have a chance to develop, LECs must be required to permit comprehensive interconnection with their exchange networks as a whole. AT&T Ex. 5.0 at 8. This would enable all end users to communicate with each other seamlessly, regardless of provider. Absent such a requirement, new entrants would face an insurmountable hurdle, because their end users would be unable to communicate with other customers that use the incumbent LEC's network. AT&T Ex. 6.0 at 19.

AT&T contends that the Commission should be guided by several key principles when developing a framework for comprehensive interconnection: (1) interconnection must be permitted at every logical and reasonable point dictated by unbundling and by carriers' potential for creating marketable offerings; (2) interconnection must be made available to new carriers under the same rates, terms, and conditions as those which apply to the LEC's own interconnection; (3) no restriction should be placed on interconnection standards which would limit these requirements to the existing inventory of LEC network functions; and (4) regulatory safeguards minimizing the risk of discrimination must be designed and implemented for interconnection to each LEC component. AT&T Ex. 5.0 at 9-10.

AT&T further argued that currently there are two different arrangements for compensation between incumbent LEC providers, both of which are based on intrastate switched access for rates, but on contracts for terms and conditions. AT&T Ex. 5.0 at 11-12. Carriers should be compensated on a cost basis for all functions and services they provide to complete an end user call. This principle, which now underlies the existing contractual agreements between LECs, should be converted to a tariffed schedule of terms, conditions, and rates which would provide non-discriminatory interconnection as well as compensation between all exchange carriers, both incumbent LECs and new entrants. Id.

AT&T argues that interconnection arrangements between incumbent LECs and other service providers, including adjacent LECs, new entrants, IXCs, PTCs, and CAPs should be equal. AT&T Ex. 1.0 at 19.

MFS

MFS disagrees with Illinois Bell's end office integration proposal because it is inefficient, would tie a new entrant's network design to the overall historic embedded design of the incumbent LEC and would impose unnecessary costs on the new entrant. MFS Ex. 2.0 at 20-21; MFS Ex. 1.0 at 14-15. MFS argues that Illinois Bell's proposed "AEOIS" treats new entrants as if they were merely operating another end office on its network, which clearly limits the deployment of the network. MFS Ex. 2.0 at 20; *See also* MFS Ex. 1.0 at 5.

As an alternative, MFS recommends that traffic exchange districts ("TEDs") and traffic exchange meet points ("TEMs") be established based upon geographic and calling pattern considerations in each LATA where competitive LECs are authorized to provide service. All affected carriers should agree mutually upon the boundaries of the TEDs, if possible. Within each TED, the incumbent LECs and new LECs should establish jointly a minimum of two mutually acceptable geographic locations as traffic exchange meet-points. A TEM may, for example, be located at an incumbent LEC's access tandem or at a new LEC's switch site if these locations are mutually acceptable, or it could be located elsewhere. These TEMS would be the geographic locations at which trunks would be connected. Each carrier would be responsible for establishing the necessary traffic exchange trunk facilities from its switch or switches to the designated TEMs in sufficient quantity and capacity to deliver traffic to and receive traffic from other carriers. Carriers also would be free to exchange traffic at other points within or between their respective networks (specialized TEMs). Generally applicable baseline engineering standards should be employed to determine appropriate trunking configurations between any two carriers, including tandem-to-tandem, tandem-to-end office, end office-to-tandem and end office-to-end office connections. MFS Ex. 2.0 at 21-24, 31.

In the event that the affected carriers cannot agree on mutually acceptable definitions for the TEDs and TEMs, MFS recommends, as a default proposal, that TEMs initially be defined as the LECs' wire centers housing access tandems and the TEDs initially be defined as the sub-tending areas of each tandem. Additionally, any new LEC should be able to establish unilaterally a specialized TEM at any incumbent LEC wire center that is listed as an end office rating point in National Exchange Carrier Association FCC Tariff 4. MFS Ex. 2.2 at 14-18.

MFS maintains that the TED/TEM concept is competitively neutral and would allow carriers maximum flexibility, enabling them to connect their networks most efficiently, while preserving the ability of each carrier to make and implement its own network

design and architecture. In contrast to Illinois Bell's end offic integration proposal, MFS' proposal would not force new entrants t replicate the historic network design and architecture of th incumbent LECs. MFS Ex. 2.0 at 31-32; MFS Ex. 2.2 at 11-12.

MFS also argues that LECs should be required to provid "tandem subtending arrangements," whereby the LEC operating tandem serving an area where new entrants are located provide tandem switching services to all other carriers' switches. MF argues that these arrangements are common, and the local transpor revenues from the facility are divided under a standard "meet-poin billing" formula. MFS Ex. 2.0 at 39-41. MFS argues that thes same arrangements should be made available to new entrants.

TCG

TCG believes that physical interconnection between incumben LECs and new LECs does not involve any unique issues that do no exist already between the incumbents and adjacent independent LECs It argues, therefore, that the Commission must establish that ne LECs have a right to physical interconnection, pursuant to thei Section 13-405 certifications to provide local service, in a manne that is technically equal to the way in which existing LEC interconnect. TCG Ex. 1.00 at 15-16.

TCG advocates interconnection at the end office or tande level of the public switched network, but also agrees with MCI an MFS that carriers should have the flexibility to interconnect wit incumbent LECs in a manner consistent with their network design which may be an established meet-point. TCG Ex. 2.02 at 29-30 TCG also recommends interconnection through existing collocatio arrangements to be a useful method of interconnection for those ne LECs who choose to use it, but state that it should not be the onl method of interconnection available. TCG Ex. 3.00 at 7.

TCG also explained a method under which carriers can allocat costs between themselves for an established meet-poin interconnection arrangement. It stated that the carriers ca measure the peak busy hour traffic for each month to determine th relative traffic flows between the carriers and allocate th charges accordingly. By way of example, TCG explained that a ne LEC and Illinois Bell could establish a two-way DS1 trunk group a a meet point. At the peak busy hour, the carriers determine tha 75% of the traffic is flowing from the new LEC to Illinois Bell and 25% of the traffic is flowing from Illinois Bell to the ne LEC. Under this split, the new LEC would pay Illinois Bell 75% o the retail rate of the DS1 facility, and Illinois Bell would pa 25% of the retail rate of the facility. TCG Ex. 2.02 at 23.

Illinois Bell Response

Illinois Bell argues that meet point arrangements a inappropriate because each one is negotiated individually a incorporates different, non-standard terms and condition According to Illinois Bell, this will not move the industry towa the standardized arrangements which Staff and AT&T have advocate

Illinois Bell also asserts that Staff's argument, in i Briefs, that it should offer the same interconnection agreements new LECs that it has with established LECs such as Centel and G is a change of position. Previously, Staff argued that the AEC tariff should be standardized to accommodate both LEC-to-LEC a incumbent LEC-to-new LEC interconnection.

Illinois Bell also believes that it will be difficult decide where to locate the meet points which MCI and MFS envisic Traditional meet point arrangements developed because the servi territories of adjacent LECs did not overlap; in that environmer it made sense to establish meet points at exchange boundaries. argues that this is not an appropriate model to carry forward the evolving telecommunications marketplace because there are exchange boundaries between LECs and new LECs. It says this inappropriate in an environment where LECs and new LECs compete the same geographic territory, and where universal service a carrier of last resort obligations do not apply equally.

Illinois Bell also points out that the MFS proposal wou require Illinois Bell to restructure its existing netwc physically around the arbitrary TED/TEM boundaries.

Illinois Bell maintains that MCI wants the same physic interconnection arrangements but is unwilling to accept the sa switched access reciprocal compensation arrangements which Cent and Illinois Bell have. It asserts that AEOIS is a reasonabl standardized arrangement which is technically identical to LEC-t LEC interconnection, and is financially comparable to LEC-to-I interconnection.

Analysis and Conclusions

Technically and economically efficient interconnection incumbent LEC and new LEC networks is an essential predicate to t emergence of a competitive local exchange market in Illinois. MCI notes, denial of efficient interconnection arrangements creat an "insurmountable barrier to entry" for new LECs because telephc service would have little value to new LEC subscribers if th could call only other new LEC customers. MCI Ex. 2.0 at 31.

Fortunately, the present arrangements prevailing amo incumbent LECs provide a sound model of the physic interconnection arrangements that reasonably can be mandated f interconnection between competing carriers. As Staff points ou

> [T]he integration arrangements which are in place today [between contiguous LECs] have been utilized for many years. The longevity and effectiveness of these arrangements makes them likely candidates for workable integration arrangements between all carriers.

Staff Ex. 2.0 at 39.

Based on this record, it does not appear that physic interconnection between incumbent LECs and new LECs involves a unique technological issues that are not present f interconnection between contiguous LECs. Therefore, we concur wi Staff's recommendation that ultimately, all carriers inte connecting with Illinois Bell should be offered service from t same tariff and under the same physical interconnection condition Current contractual agreements are more appropriately converted tariffed arrangements. For this reason we agree that the AEO tariff should be modified as proposed by Staff and serve as a bas for a Uniform Interconnection Tariff. Designations on the tari which limit its application to "AECs" should, therefore, be remov and replaced with a suitable term such as "integrating carrier"

Staff notes that LECs integrating and interconnecting wi Illinois Bell today do not utilize, or pay for, either virtual physical collocation arrangements for interconnection. Sta maintains that either these requirements should be removed from t AEOIS tariff or they should be included for all interconnecti arrangements, even those between Illinois Bell and independe telephone companies. Staff Ex. 2.00 at 40 footnote 12. T Commission agrees with Staff to the extent that these requiremen should be removed from the AEOIS tariff, pending a cle demonstration by Illinois Bell, in some future proceeding, th such collocation arrangements and associated charges are necessa and appropriate for interconnections with new LECs and/ independent telephone companies and are not being imposed in unreasonably discriminatory manner. This is consistent with o view that the incumbent LECs should not be permitted to force n LECs to purchase functionalities which they do not require, a that existing arrangements between contiguous LECs are appropriate model for interconnection.

The Commission agrees with MFS that arrangements regarding t interconnection of new LECs subtending an Illinois Bell tand could be more appropriately identified within Illinois Bell's AEO tariff. The Commission concurs with Staff that the most reasonab

mechanism to facilitate this type of interconnection is th existing tandem subtending arrangements offered by Illinois Bell t independent telephone companies. For this reason, the Commissio directs that Illinois Bell offer tandem subtending interconnectio arrangements to new LECs in the same manner in which it offer those arrangements to existing independent telephone companies. W direct that the tariffs be modified accordingly.

The Commission otherwise views the end-office to end-offic model in the AEOIS tariff to be a suitable basis for initiatir interconnection between competing LECs. With respect to the issu of "meet points" for traffic exchange outside of end offices, th Commission agrees that this is an option which should be considere seriously. A new LEC should have considerable flexibility t configure its networks in a manner it deems suitable. This is als consistent with our views regarding unbundling. However, there ar some issues which need to be addressed. Existing meet poir arrangements are the result of contracts. The record is vagu regarding the precise terms of those contracts. It is quite likel that it will take some time to reconcile existing agreements wit the uniform interconnection tariff. We reject the suggestion tha we merely require Illinois Bell to include an option in the AEOI tariff for meet point arrangements "by agreement of the parties. We agree with Illinois Bell that this could invite litigation ar potentially could defeat the purpose of standardizing the physica interconnection arrangements.

We reject MFS' TED/TEM proposal. Local exchange competitio is in its infancy and we do not wish to establish geographi boundaries which would reflect the interests of only the curren subset of market entrants. In addition, the substantia reconfiguration of Illinois Bell's network which the proposal woul require is a serious drawback.

The Commission believes that it would be appropriate fo interested parties to hold workshop discussions concerning mee point interconnection. One possible solution would be to establis a rule regarding meet points which is similar to Staff's proposal in Docket 94-0049 regarding unbundling. Perhaps it could establis criteria for evaluating a request for a new meet point. In th interim we shall direct Illinois Bell to modify its AEOIS tariff a directed above and to begin integrating existing interconnectio arrangements into a uniform tariff.

The AEOIS arrangements should not apply to independen telephone companies except on a voluntary basis until th Commission has concluded its investigation, ordered herein, of th termination of PTC arrangements. The Commission also adopt Illinois Bell's suggestion, set forth in its Exceptions, tha independent telephone companies not be permitted to take advanta

of the terminating rate for local traffic in the AEOIS tar unless they implement corresponding changes in their access tari applicable to local traffic they terminate for Illinois Bell, upon further direction from the Commission.

Additional Tariff Issues

Tariff Exclusions

While Illinois Bell proposes to make AEOIS availa throughout the state, the tariff states that the service is available in MSAs where it is not the primary toll carrier; wh it is the PTC but not the dial tone provider; and in exchan where its customers are served by central offices located outs of Illinois (this includes the exchanges of South Beloit, W Dana, Kaskaskia and McClure). (See Section 19.1 of the propo AEOIS tariff). Staff proposes to delete these exclusions from tariff because, in Staff's view, AEOIS should be availa throughout the state.

Conclusion

We agree with Illinois Bell that the tariff properly exclu exchanges where it is the PTC, but not the dial tone provid Since Illinois Bell has no end offices or tandem offices in th areas there are no Company facilities to interconnect with un the AEOIS tariff. This exclusion merely emphasizes that the AE service does not apply to Independent Telephone Companies j because they use Illinois Bell as PTC. We also conclude that tariff should exclude the exchanges of South Beloit, West Da Kaskaskia and McClure because they are not served by cent offices which are owned or operated by Illinois Bell. However, do not agree that AEOIS service should be unavailable in ar where Illinois Bell is not the PTC but does provide dial t service. Because Illinois Bell owns end office facilities in th exchanges which could provide interconnection opportuniti excluding AEOIS from these exchanges simply because Illinois B is not the PTC would be inappropriate. We therefore direct t Illinois Bell modify its tariff language to restrict AEOIS serv only in areas where it does not own end office facilities and d not provide dial tone service.

Finally, we agree with Staff that the reference to Section 405 should be eliminated because the AEOIS tariff is the base a Uniform Interconnection Tariff.

Physical Collocation

Illinois Bell's initial AEOIS tariff included a physi collocation option. After the tariff was filed, the U.S. Court

Appeals for the District of Columbia overturned the FCC's orde which required Illinois Bell to provide physical collocation fo special access and switched access interconnection. Thereafter, the Illinois Appellate Court entered a stay of the Commission's physical collocation requirement currently contained in Illinois Administrative Code Part 790. We have opened a docket to consider this matter. Given these changed circumstances, the Commissio believes it is reasonable for Illinois Bell to withdraw the physical collocation option in the pending AEOIS tariff.

VI. RECIPROCAL COMPENSATION

Positions of the Parties

Illinois Bell

In its Customers First plan, Illinois Bell proposes a reciprocal compensation arrangement that requires each carrier t pay terminating access to other carriers for its originatin traffic that terminates on other carriers' networks. It argues that this arrangement is advantageous because it is technically feasible, efficient to administer, compensatory to the terminatin carrier, and "minimizes arbitrage opportunities." IBT Ex. 1.0 at 27.

Illinois Bell states that four principles should gover reciprocal compensation arrangements:

> (1) Each party should set a price which results in it being compensated based on its own costs, including a reasonable contribution towards shared and common overhead costs;
>
> (2) Fixed costs should be recovered from fixed charges and variable costs should be recovered from variable charges to avoid deliberate or inadvertent cross-subsidization, so far as possible;
>
> (3) The rate design rules should be sustainable; and
>
> (4) Compensation principles should be entirely symmetric.

IBT Ex. 4.0 at 12-15. It argues that its reciprocal compensatio proposal satisfies these criteria. *Id.* at 15.

DIRECT TESTIMONY OF STEVEN C. ANDREASSI
on behalf of
TC SYSTEMS-ILLINOIS, INC.
ILLINOIS COMMERCE COMMISSION DOCKET NO. 95-0296

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven C. Andreassi and my business address is Two Teleport Drive, Staten Island, New York, 10311.

Q. WHAT IS YOUR CURRENT POSITION AT TCG?

A. I am a Manager in the Regulatory and External Affairs Department of Teleport Communications Group Inc. ("TCG Inc." or "TCG"). I assist in the tariffing of TCG's interstate services with the Federal Communications Commission and its intrastate services with State Public Utility Commissions. I monitor rates filed by other carriers for their impact on TCG's service offerings. I also advise TCG's regulatory attorneys on general state and federal policy proceedings in which TCG is participating and I testify as to the qualifications of TCG and its affiliates to provide local telecommunications services in the states in which we seek authority to operate.

Q. WHAT IS YOUR BACKGROUND PRIOR TO JOINING TCG?

A. From 1991 to 1993, I worked for Rochester Telephone Corporation as a Network Planner and Marketing Analyst. I was responsible for projects related to pricing and products provided by Rochester's long distance affiliate, RCI. From 1989 to 1991, I worked as a

Budget Forecaster and Financial Planner for Highland Telephone Company, another Rochester Telephone subsidiary. I received my Master of Arts in Economics from the Pennsylvania State University in 1989 I received my Bachelor's degree in Economics from Indiana University of Pennsylvania in 1987

Q. HAVE YOU TESTIFIED IN OTHER PROCEEDINGS?

A. Yes. In 1995 I testified in three proceedings I first testified on behalf of TCG Detroit in Michigan Public Service Commission Case No 10731, concerning TCG Detroit's application to provide basic local exchange service in Detroit, Birmingham and Southfield Michigan. I then testified on behalf of TCG in Washington Utilities and Transportation Commission Docket No. UT-941465. concerning TCG's mutual compensation proposal. Finally, I testified in Texas in the TCG Dallas and Teleport Communications Houston, Inc. applications for certificates of operating authority, Public Utility Commission of Texas Docket Numbers 14633 and 14634. In addition, I submitted direct and rebuttal testimony in the Michigan Public Service Commission's omnibus local competition proceeding, Case No. U-10860. During 1994, I testified on behalf of TCG in Florida in Docket No. 921074-TP, Switched Access Expanded Interconnection and Local Transport Restructure, and in Nebraska Case No 1064, TCG Omaha's IntraLATA Toll Application.

Q. WHAT IS THE RELATIONSHIP BETWEEN YOUR EMPLOYER, TCG, INC.

AND TC SYSTEMS-ILLINOIS, INC.?

A. TC Systems-Illinois, Inc. is an affiliate of my employer, TCG, Inc. TC Systems-Illinois, Inc. received its certificate of service authority from the Illinois Commerce Commission (Commission) in Docket No. 94-0162 to provide exchange telecommunications services in all areas of MSA-1 served by Illinois Bell Telephone Company and Central Telephone Company of Illinois.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I will demonstrate that the compliance tariff filed by Ameritech Illinois is plainly inconsistent with the Commission's Customers First Order[1] (CFP Order) in many respects and must be modified. Effective local competition will not come to residential and small and medium sized business consumers without significant modification of the tariffs.

First, the tariffs incorrectly require competitive local exchange carriers (CLECs), like TCG, to order virtual collocation arrangements from Ameritech Illinois for LEC-to-LEC connections, when such arrangements are absolutely unnecessary to provide switched local exchange service. Second, the tariff improperly imposes excessively high rates and

[1]Ameritech Illinois' "compliance" tariff was filed on May 22, 1995, and went into effect the next day, pursuant to the Ameritech Customers First Plan/AT&T Petition proceeding, Docket Nos. 94-0096, 94-0117, 94-0146, and 94-0301, Consolidated, (April 20, 1995) ("the CFP Order").

bundles unwanted services and functions for interim number portability the tariff ignores the Commission's express mandate. Third, Ameritech Illinois has proposed unbundled loop and port charges that inappropriately price unbundled loops such that CLECs will be precluded from using them to compete with Ameritech's retail services.

I. VIRTUAL COLLOCATION VERSUS LEC-TO-LEC CONNECTIONS.

Q. DOES AMERITECH'S TARIFF REQUIRE INDEPENDENT LECS TO PURCHASE VIRTUAL COLLOCATION FOR LEC-TO-LEC INTERCONNECTIONS?

A. No. It is my understanding that adjacent LECs integrating and interconnecting with Ameritech Illinois today do not utilize, or pay for, virtual collocation arrangements for interconnection [2]

Q. DOES AMERITECH'S TARIFF REQUIRE CLECS TO PURCHASE VIRTUAL COLLOCATION FOR LEC-TO-LEC INTERCONNECTIONS?

A. Yes. (See, Ill.C.C. No. 15, 2nd Revised Page 892, and Ill.C.C. No. 15, 4th Revised Page 876.16.1, Section 17.3.1). The only way CLECs can avoid purchasing such costly

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[2] Consolidated CFP proceedings, Docket No. 94-0096, et al., Illinois Commerce Commission, Order, April 7, 1995, p. 79.

collocation arrangements is when they forfeit the option of using either their own transport facilities or those of other non-Ameritech providers of transport facilities. In other words, under Ameritech's tariff, CLECs must lease Ameritech's facilities or pay additional collocation charges [3]

Q. DOES INTERCONNECTION VIA VIRTUAL COLLOCATION REPRESENT A MUTUALLY BENEFICIAL ARRANGEMENT BETWEEN CO-CARRIERS?

A. No. Virtual collocation is intended to be used by interexchange carriers (IXCs) in the provision of their end user services. In contrast, the exchange of traffic between two local exchange carriers is fundamentally different because it represents a mutually beneficial arrangement in which the local exchange carriers terminate each other's traffic. This type of co-carrier arrangement is in the public interest because it facilitates the operation of the public switched network, and ultimately benefits consumers.

Under Ameritech's End Office Integration Service (AEOIS), a new LEC must not only purchase equipment for traffic exchange in its own central office, but at Ameritech's central office as well. The CLEC would pay for the entire interoffice network between the two carriers despite the fact that the arrangement is used to terminate traffic for both carriers. The rates at which each carrier compensates the other for terminating local usage are reciprocal. However, under Ameritech's AEOIS service, the rates for the transport

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[3] Direct Testimony of Ameritech Illinois Witness Eric L. Panfil, at pp. 22-3.

facilities to connect the CLEC's switch with Ameritech's end office are not reciprocal.[4]

Q. DOES AMERITECH STATE THAT THERE ARE CIRCUMSTANCES UNDER WHICH VIRTUAL COLLOCATION ARRANGEMENTS CAN BE UTILIZED FREE OF CHARGE?

A. Ameritech Witness Eric Panfil states that "the tariff currently provides that the rates and charges that would normally be applicable under Section 17 will not be applied to a virtual collocation arrangement that is used exclusively for local service network interconnection (local usage and private line).[5]

Q. DO YOU AGREE THAT CLECS CAN ENJOY FREE VIRTUAL COLLOCATION ARRANGEMENTS?

A. Absolutely not. If a CLEC were to utilize a collocation arrangement solely for exchange of local traffic, it would certainly not be "free" It is my understanding that while the Ameritech elements for the interconnection service (cabling, racking, cross connect, etc.) would be at no cost, the CLEC still must provide the actual termination equipment which can cost several hundred thousand dollars In addition, the CLEC must arrange for transport of the traffic between offices, using its own facilities, or the facilities of either

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[4] ICC No. 15, Section 17.5.

[5] Panfil Direct, at 25.

Ameritech, or a third party.

Q. WHAT OPTIONS FOR INTERCONNECTION DOES TCG REQUIRE?

A. TCG requires the same options as those available to independent LECs that interconnect with Ameritech Illinois, as discussed in the CFP Order.[6] CLECs should be able to interconnect via a virtual collocation arrangement in those central offices where those arrangements currently exist, and the deployment costs have already been incurred. However, in central offices where virtual collocation arrangements do not currently exist, a tariffed mid-span meet option should be available.

Q. WHAT IS A MID-SPAN MEET?

A. A mid-span meet is any arrangement in which the facilities of the CLEC are directly connected to the facilities of Ameritech, either at a mid-point between central offices, or in the CLEC or Ameritech end office, for the purpose of handing-off traffic. This is the type of arrangement currently existing between independent LECs in Illinois currently interconnecting with Ameritech.[7]

Q. SHOULD AMERITECH BE REQUIRED TO TARIFF A "MID-SPAN" MEET

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[6] CFP Order at 79.

[7] Id.

OPTION FOR INTERCONNECTION?

A. Yes. A mid-span meet should be a tariffed option. A tariffed mid-span meet option will ensure that nondiscriminatory arrangements are available to all local exchange carriers, whether they are adjacent LECs or CLECs.

Q. WHY IS THE OPTION OF A "MID-SPAN MEET" AN IMPORTANT OPTION TO HAVE AVAILABLE VIA TARIFF TO CLECS?

A. A mid-span meet recognizes that the two interconnecting carriers are providing an exchange of traffic that is mutually beneficial. Under this scenario, each carrier would be responsible for all the electronics in their respective switching centers needed to terminate minutes-of-use. Responsibility for providing the facility connecting the two carriers would be divided in an equitable manner. Clearly, in this type of arrangement, the CLEC is treated as a co-carrier, and not as a customer of the Ameritech as required by the CFP Order.[8]

Q. IS AMERITECH'S COLLOCATION REQUIREMENT CONSISTENT WITH THE COMMISSION'S INTERCONNECTION POLICY?

A. No. It is my understanding that it is the policy of the Commission that since independent LECs integrating and interconnecting with Ameritech Illinois today are not required to

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[8] CFP Order at 79.

utilize, or pay for, virtual collocation arrangements for interconnection, then CLECs should not be required to interconnect through virtual collocation arrangements.[9] The existing arrangements between contiguous LECs are an appropriate model for interconnection.

This policy exists so that incumbent local exchange companies (ILECs) cannot require new LECs to purchase functionalities which they do not require, nor can excessive costs be used as a barrier to entry to prevent new LECs from entering the local exchange market. Ameritech's proposal to force CLECs to undertake a substantial capital investment by deploying virtual interconnection arrangements in every end office where an interconnection point is desired is anti-competitive. Such a requirement will impose additional costs on the CLEC that are not due to the efficiency or quality of the CLECs operations. Ameritech's proposal would raise CLECs' costs in comparison with the costs Ameritech itself incurs, forcing CLECs to charge more for identical functions than Ameritech, and creating a price squeeze in which the competitor will not be able to compete with Ameritech's retail rates

Q. HOW CAN THE COMMISSION CORRECT THIS PROBLEM?

A. The Commission should order Ameritech to remove from its AOEIS tariffs all references to charges associated with AEOIS Option 4 other than the charges for end-office

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[9] CFP Order at 79.

termination and tandem termination, listed in AEOIS Section 19.4.2.

II. INTERIM NUMBER PORTABILITY CHARGES

Q. WHAT IS YOUR UNDERSTANDING OF THE COMMISSION'S POLICY REGARDING INTERIM NUMBER PORTABILITY?

A. The Commission stated in the CFP Order that "[t]he lack of adequate number portability can be a considerable deterrent to any customer contemplating a switch in local carriers, and can impose significant costs on those customers who do switch."[10] It is my understanding that the Commission has adopted a policy of limiting the rate that Ameritech Illinois can charge for these arrangements so that interim number portability can be available to competitors at cost-based rates with reasonable levels of contribution.[11]

Q. ARE THE RATES FOR INTERIM NUMBER PORTABILITY CONTAINED IN AMERITECH'S TARIFF CONSISTENT WITH THE COMMISSION'S PUBLIC POLICY TO FACILITATE LOCAL EXCHANGE COMPETITION?

A. No. Based upon my review of Ameritech's proposed rates for interim number portability,

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[10] CFP Order at p. 110.

[11] CFP Order at 110.

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